



HONG KONG MONETARY AUTHORITY

香港金融管理局

Banking Supervision Department

銀行監理部

Ref. B1/15C

3 June 2010

The Chief Executive

All restricted licence banks and deposit-taking companies

Dear Sir/Madam,

Representation on the Expiry of Full Deposit Guarantee

Further to my letter of 17 December 2009 requiring all authorized institutions to alert their customers of the expiry of the full deposit guarantee provided by the government (the “guarantee”) by the end of this year, I am writing to require your institution to take additional steps to ensure your depositors are fully aware of the expiry of the guarantee and the implications this will have on deposits placed with your institution after that date.

Disclosures in respect of existing deposits

In this connection, you are required to issue a notice (in writing or in electronic form) to all depositors who have placed a deposit with your institution at the end of June 2010 to inform them that the guarantee will expire by the end of this year and therefore their deposits will no longer be subject to any deposit guarantee or protection in Hong Kong with effect from 1 January 2011. The notice must be issued on or before 15 July 2010.

Disclosures as to deposits taken during the period from 1 July 2010 to 31 December 2010

During the period from 1 July 2010 to 31 December 2010, you are required to notify individual customers, i.e. non-corporate customers, before such a customer places a deposit with your institution with a maturity falling on or after 1 January 2011 (including automatically rolled-over deposits), that the guarantee will expire by the end of this year and therefore their deposits will no longer be subject to any deposit guarantee or protection in Hong Kong with effect from 1 January 2011. You should also obtain the customer’s acknowledgement (except for automatically rolled-over deposits) that he/she has received and understands the notice. The notice and the acknowledgement should be made in writing or by the means in which the offer of the deposit is made.

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Other representations on the full deposit guarantee

Upon expiry of the full deposit guarantee on 31 December 2010, you should remove all Deposit Guarantee Signs required to be displayed in your premises and websites by the statutory guideline issued by the HKMA on 9 December 2008, as well as any obsolete references to the guarantee in your advertisements or promotional materials.

Misrepresentation of protection status of financial products offered by your institution could bring not only legal consequences but also reputational risk to your institution. You are therefore expected to take immediate steps and put in place proper procedures to ensure compliance with the above requirements as soon as practicable.

A practical guidance note on the requirements specified in this letter can be found at the Annex. If you have any questions on this letter, please feel free to contact Ms Eve Law at 2878-1197 or Ms Tess Leung at 2878-8280.

Yours faithfully,

Nelson Man
Executive Director
(Banking Supervision)

Encl.

**Practical Guidance on
Representation on the Expiry of Full Deposit Guarantee**

Proposed wording for the notice to be served to depositors

“The guarantee provided by the Hong Kong SAR Government’s Exchange Fund for the repayment of eligible deposits taken by all authorized institutions, including [name of the institution], will expire at the end of 2010 and therefore your deposit placed with [name of the institution] will no longer be subject to any deposit guarantee or protection in Hong Kong with effect from 1 January 2011.”

Proposed wording for depositor’s acknowledgement

“I acknowledge that I have received a notice and understand that the guarantee provided by the Hong Kong SAR Government’s Exchange Fund for the repayment of eligible deposits taken by [name of the institution] will expire at the end of 2010, and therefore my deposit placed with [name of the institution] will no longer be subject to any deposit guarantee or protection in Hong Kong with effect from 1 January 2011.”